

Message Text

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15

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TO SECSTATE WASHDC PRIORITY 9353

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C O N F I D E N T I A L LUSAKA 1706

E.O. 11652: GDS

TAGS: EIND, EMIN, ZA

SUBJECT: REVISION OF MINE AGREEMENTS

REF: LUSAKA 1636

1. SUMMARY: CONFUSION AND UNCERTAINTY PERSIST IN WAKE OF PRESIDENT'S AUGUST 31 DECLARATION OF INTENTION, "WITH IMMEDIATE EFFECT," REVISE MINE AGREEMENTS OF 1969. THOUGH GRZ HAS NOW MOVED TO REDEEM ZIMCO BONDS AND INTRODUCED LEGISLATION TO REMOVE MINING COMPANIES' SPECIAL TAX AND FOREIGN EXCHANGE PRIVILEGES, IT HAS DONE LITTLE ELSE AND COMPANIES HAVE NOT BEEN GIVEN ANY CLEAR IDEA HOW OR WHEN GRZ PLANS PROCEED WITH OTHER STEPS ANNOUNCED BY PRESIDENT. END SUMMARY.

2. ACCORDING TO ACHESON OF AMAX ZAMBIA, NCCM ZIMCO BONDS HAVE NOW BEEN REDEEMED. REDEMPTION REMAINING EIGHTY MILLION DOLLARS IN BONDS, OF WHICH ONLY ONE-THIRD DUE AMAX, VERY COMPLEX BECAUSE OF LARGE NUMBER OF INDIVIDUAL STOCKHOLDERS INVOLVED. EFFORTS CURRENTLY BEING MELE IN LONDON TO RESOLVE THIS PROBLEM.

3. AT SAME TIME, NATIONAL ASSEMBLY HAS BEEN SITTING THIS WEEK
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TO ADOPT LEGISLATION REMOVING PRIVILEGED POSITION OF MINING

COMPANIES WITH RESPECT TO TAXES AND FOREIGN EXCHANGE. GRZ, OF COURSE, ENTITLED TO DO THIS UPON REDEMPTION OF BONDS, BUT ACHESON SAYS LEGISLATION IS POORLY DRAFTED AND IN FACT DISCRIMINATORY AND PUNITIVE. AS IT CURRENTLY STANDS, TAX LEGISLATION REMOVES CAPITAL EXPENDITURE ALLOWANCES ENTIRELY; FOREIGN EXCHANGE LEGISLATION EXTENDS CONTROLS TO MINING COMPANIES' REMISSION OF FEES ABROAD, WHICH IS CONTRARY TO 1969 AGREEMENTS. THIS HAS BEEN POINTED OUT TO MINFINANCE MWANAKATWE, BUT ACHESON DOES NOT EXPECT MODIFICATION OF LEGISLATION AT THIS TIME.

4. GRZ HAS NOW APPOINTED MINMINES MULEMBA AS CHAIRMAN OF NCCM AND RCM, WHICH IT HAS RIGHT TO DO UNDER 1969 AGREEMENTS. GOVT HAS NOT YET MADE ANY MOVE TO APPOINT MANAGING DIRECTORS AS KAUNDA ANNOUNCED WAS GRZ'S INTENTION.

5. MANAGEMENT FEES FOR AUGUST HAVE NOW BEEN PAID (PARA 3, LUSAKA 1636).

6. MINING COMPANIES HAVE HAD TWO MEETINGS WITH MULEMBA, BUT THEY UNABLE SECURE FROM HIM ANY INDICATION WHAT NEXT STEPS MIGHT BE AND HOW GRZ LOOKS UPON COMPENSATION QUESTION, (MWANAKATWE SAID IN PARLIAMENT SEPT 14 NEGOTIATIONS WITH MINING COMPANIES HAD BEGUN AND WITHIN FEW WEEKS COUNTRY WOULD SEE "REAL ECONOMIC REVOLUTION", ESTABLISHMENT OF COPPER MARKETING COMPANY AND APPOINTMENT OF NCCM AND RCM MANAGING DIRECTORS.) MULEMBA HAS NOW GONE OFF TO LONDON WITH MINDECO MARKETING OFFICIAL. ACHESON DOES NOT KNOW MULEMBA'S PURPOSE IN GOING TO LONDON, BUT CONSIDERS IT POSSIBLE ONE OBJECTIVE COULD BE TALK WITH LONRHO ABOUT TAKING OVER ZAMBIA'S COPPER MARKETING. THIS RATHER THAN MINE MANAGEMENT WOULD BE ATTRACTIVE TO LONRHO. AMAX HAS SENT TO LONDON THEIR ABLE ZAMBIAN BUSINESS MANAGER, FRANCIS KAUNDA, A LONG-TIME CLOSE FRIEND OF MULEMBA, IN HOPES OF KEEPING TRACK OF EVENTS.

7. AS REGARDS MONIES USED FOR REDEMPTION ZIXEO BONDS, ACHESON SAYS BANK OF ZAMBIA GOVERNOR KUWANI HAS ASSURED MORGAN GUARANTY PROCEEDS FROM RECENTLY ARRANGED EURODOLLAR LOANS NOT RPT NOT BEING USED FOR THIS PURPOSE. IF WHAT KUWANI SAYS IS TRUE, IT MYSTERY WHERE MONEY IS COMING FROM AND IT IS CONTRARY TO WHAT MINFINANCE MWANAKATWE HAS SAID.
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8. ANOTHER UNCERTAINTY FOR AMAX CONCERNS DIVIDENDS WHICH DUE TO BE DECLARED AT SEPT 27 BOARD MEETING. GRZ EXPECTED SEEK APPLY TAXES UNDER NEW LEGISLATION TO THOSE DIVIDENDS. COMPANY WILL MAINTAIN DIVIDEND COVERS PERIOD WHEN NEW TAXES NOT IN EFFECT.

9. LOOKING AHEAD, WHEN GRZ TAKES STEP WHICH WILL MOVE MINING

COMPANIES TO SEEK COMPENSATION--E.G., DECLARATION THAT 1969
AGREEMENTS CANCELLED--ACHESON SAID COMPANIES WOULD INVOKE
ARBITRATION PROVISIONS OF AGREEMENTS RATHER THAN SUE FOR
COMPENSATION IN ZAMBIAN COURTS. HE WONDERED ALOUD, HOWEVER,
WHETHER GRZ WOULD THEN ATTEMPT TO MAINTAIN IT NOT POSSIBLE
INVOKE PROVISIONS OF CANCELLED AGREEMENT.
NELSON

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